

Application No.: 09/955,544
Attorney Docket No.: 57046-001US0
First Applicant's Name: Gregory John Litster
Application Filing Date: 17 September 2001
Office Action Dated: 15 September 2009
Date of Response: 15 March 2010
Examiner: Olabode Akintola

REMARKS

Claims 13-24 are pending and stand rejected.

Rejection under 35 U.S.C. § 103(a)

The Examiner has maintained the prior rejection of claims 13-24, under 35 USC 103(a), as allegedly being obvious over Davis et al. (US 6,282,522) (hereinafter "Davis") in view of Kuo (US 6,847,953) (hereinafter "Kuo") and further in view of Mertens (US Patent Application 2002/0133468) (hereinafter "Mertens").

Specifically, the Examiner alleges (at pages 2 and 3 of the present Office Action) that Davis teaches all of the steps of Applicants' claimed invention except for teaching:

processing the VCT transaction request by the VCT gateway to facilitate formation of a bank transaction request;

sending the back transaction request from the VCT gateway to a bank;

processing the bank transaction request, whereby advice is sent from the bank to the VCT gateway as to whether the transaction has been approved; and sending the advice from the VCT gateway to the merchant and the purchaser, and

wherein if the transaction has been approved, providing the merchant and the purchaser with a transaction authentication code.

The Examiner, however, alleges that Kuo provides the above steps that are absent from Davis, except for the step of providing the merchant and the purchaser with a transaction authentication code if a transaction has been approved. The Examiner further asserts Mertens as allegedly teaching the step of providing the merchant and the purchaser with a transaction authentication code if a transaction has been approved.

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Additionally, under the Examiner's "Response to Arguments," the Examiner states that while the above same art is being re-asserted, the rationale of the present rejection is nonetheless different than that presented in the Office Action of March 19, 2008. The Examiner states that the new *rationale* is "substitution of one known element for another to produce a predictable result is a valid rationale under *KSR* (See MPEP 2143 Rationale (B))."

The Examiner states that "applicant's 'teaching away' argument was previously addressed in the office action and advisory action of 3/19/2008 and 8/6/2008, respectively," and that "one cannot show nonobviousness by attacking references individually where the rejections are based on combinations of references. See *In re Keller*, 642 F.2d 413, 208 USPQ 871 (CCPA 1981); *In re Merck & Co.*, 800 F.2d 1091, 231 USPQ 375 (Fed. Cir. 1986)" and that "the test for obviousness is not whether the features of a secondary reference may be bodily incorporated into the structure of the primary reference; nor is it that the claimed invention must be expressly suggested in any one or all of the references. Rather, the test is what the combined teachings of the references would have suggested to those of ordinary skill in the art. See *In re Keller*, 642 F.2d 413, 208 USPQ 871 (CCPA 1981)."

Applicants' Traversal:

Applicants respectfully traverse the Examiner's rejection, under 35 USC 103(a), based on the fact that the Examiner has misinterpreted U.S. Patent law and appears to believe that the Examiner is free to parse elements at will from various prior art references while ignoring the context of the elements with the respect art references. No such blind parsing is provided for under *KSR* and MPEP 2143. Applicants respectfully contend that one simply cannot arbitrarily combine the teachings of Davis, Kuo, and Mertens, while ignoring the teachings of each reference as a whole, and pretend that this is a predictable use of prior-art elements according to their

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established functions.

The Examiner's "new ground(s)" merely amount to stating that:

"[s]ince each individual element (or combination of elements or steps) and its function are shown in the prior art, albeit shown in separate references, the difference between the claimed subject matter and the prior art rest not on any individual element (or combination of elements or steps) or function but in the very combination itself—that is the substitution of the teachings of Kuo for the teachings of Davies (batch transactions and acknowledgment)" and thus, "the simple substitution of one known element (or combination of elements or steps) or function for another producing a predictable result[s] renders the claim obvious."

Essentially, therefore, the Examiner is contending that Applicants' presently-claimed invention is the simple substitution of the Kuo steps (formation of a bank transaction request; sending same from VCT gateway to bank, processing same, and sending advice from bank to VCT gateway and from there to merchant and purchaser) for particular Davis steps (batch transactions and acknowledgment with no direct bank transaction requests) to produce a predictable result. However, the Examiner's treatment under KSR is flawed because, despite the Examiner's urging, KSR does not support an Examiner's arbitrary parsing of a plurality of elements from various respective asserted art references, while ignoring each of the inventions/references as a whole.

APPLICABLE LAW:

In *KSR International Co. v. Teleflex, Inc.* 127 S.Ct. 1727, 2007 (herein referred to as "KSR"), the Supreme Court stated that the Graham factors ((1) scope and content of the prior art, (2) difference between claimed subject matter and the prior art, (3) the level of skill in the art, and (4) where in evidence, so-called secondary considerations; Graham v. John Deere Co., 383 U.S. 1 (1966)) continue to define the inquiry that controls the obviousness analysis. Additionally, under KSR, the TSM test is valid provided that such application does not require an overly rigid or

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explicit application of the asserted prior art. Accordingly, as already stated in the record, and in keeping with KSR, to establish a *prima facie* case of obviousness there must be: (i) a suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art (POSITA), to modify the reference or to combine reference teachings; (ii) a reasonable expectation of success; and (iii) the prior art reference(s) must teach or suggest all the claim limitations. The teaching or suggestion to make the claimed combination and the reasonable expectation of success must both be found in the prior art and knowledge generally available to POSITA, and not based on Applicant's disclosure (*In re Vaeck*, 947 F.2d 488, 20 USPQ2d 1438 (Fed. Cir. 1991); and see MPEP §§ 2143-2143.03). Therefore, to support a conclusion that the claimed invention is directed to obvious subject matter, either the references must expressly or impliedly suggest the claimed invention or the examiner must present a convincing line of reasoning as to why the artisan would have found the claimed invention to have been obvious in light of the teachings of the references. Moreover, there can be no reasonable expectation of success where the art, alone or in combination, *teaches away* from the invention.

Inventions and asserted references must be considered as a whole. Importantly, even where a *prima facie* case is established, such case is rebuttable, and the proper inquiry involves consideration of inventions as a whole (*In re O'Farrell*, 853 F.2d 894, 903 (1988)). In determining the differences between the prior art and the claims, the question under 35 U.S.C. 103 is not whether the differences themselves would have been obvious, but whether the claimed invention as a whole would have been obvious. *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 218 USPQ 871 (Fed. Cir. 1983); *Schenck v. Nortron Corp.*, 713 F.2d 782, 218 USPQ 698 (Fed. Cir. 1983). In *Diamond v. Diehr* (450 US 175, 209 USPQ 1) (U.S. 1981), the *Diehr* Court determined "[i]t is inappropriate to dissect the claims into old and new elements and then to ignore the presence of the old elements in the [35 U.S.C. § 101] analysis." Claims have a synergistic effect,

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so that if a claim contains elements A, B, C, and D, it is not proper to attack each of A, B, C, and D in isolation as four separate elements. The USPTO and the courts must view the claim as a whole under 35 U.S.C. § 101.

Analysis:

In the present case, the Examiner has erred by not considering Davis as a whole as required under U.S. patent law. Specifically, the “amounts available” of Davis are stored on the “stored-value card” and the “security card” validates the debit, and one of ordinary skill would thus not be motivated to substitute the step of sending a bank transaction request to a bank to “ensure that the transaction is valid and the purchaser has sufficient funds to complete the transaction,” as argued by the Examiner. Furthermore, such position is in defiance of the explicit teachings of Davis regarding the benefits of batch processing using the “concentrator 68.” Doing so would not only change the principle of operation taught by Davis, which is impermissible because a proposed modification of a prior art reference cannot change its principle of operation (see MPEP §2143.01(VI)), but also flies in the face of U.S. patent law by ignoring the teachings and invention of Davis as a whole.

Applicants respectfully contend that the Examiner cannot simply arbitrarily parse a plurality of elements from each of the respective asserted art reference, while ignoring the inventions as a whole.

One consequence of considering Davis as a whole is the inescapable conclusion that Davis *teaches away* from the arbitrary, parsed substitution urged by the Examiner by teaching batch processing in the context of a fundamentally different security card-mediated validation method.

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This *teaching away* is significant, because under the Graham factors (used for assessing obviousness under U.S. patent law), such *teaching away* reasonably reflects how the asserted references would be construed by a person of ordinary skill in the pertinent art, and hence as to whether there is adequate motivation to combine the various elements as urged by the Examiner.

The Office Action correctly acknowledges that Davis does not teach that the VCT gateway sends a bank transaction request to a bank, which processes the request and sends advice back to the VCT gateway as to whether the transaction has been approved. The VCT gateway in turn sends the advice to the merchant and the purchaser. Instead, referring to Figures 3 and 4, Davis teaches a “concentration point 68” that is a staging computer that communicates with any number of service payment terminals 50 to collect batches of transactions (column 4, lines 63-65, and column 13, lines 36-38). The concentration point then sends these transaction batches to a clearing and administration system for processing (column 13, lines 38-40). Once processed, batch acknowledgments, along with other system updates are sent to the terminals 50 via the concentration point (column 13, lines 40-42). The concentration point ensures a successful transfer of data between service payment terminals and the clearing and administration system, and prevents overloading of the clearing and administration system (column 5, lines 3-6).

Thus, Davis explicitly teaches using a concentrator to batch transactions (and acknowledgments) **instead of sending each transaction during a purchase**, as recited in claim 13. Further, when properly considered as a whole, the reference explicitly *teaches away* from sending each transaction during a purchase to prevent overloading of the clearing and administration system.

Furthermore, one would not be motivated, as argued by the Examiner, to remove the concentrator by a desire to “ensure that the transaction is valid and the purchaser has sufficient

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funds to complete the transaction” (page 3, last line, to page 4, line 2) - because the reference already explicitly teaches devices and methods for both ensuring the transaction is valid and that purchaser has sufficient funds.

According to Davis, during a purchase, the client terminal communicates 236 with payment server 206, first by forwarding the draw request to the payment server. The draw request includes information read from the stored value card by a card reader 210 (column 15, lines 63-66). The payment server processes the draw request in conjunction with an associated security card (step 614 in Figure 11A) (column 16, lines 58-60). A microchip in the security card 220 enables the security card 220 to authenticate and validate the user's stored-value card. If a user stored-value card is accepted by the security card, and the stored-value card contains sufficient value, the security card guarantees that the merchant receives payment according to the amount deducted from the stored-value card (column 11, lines 48-57). The payment server receives a debit command and a security card signature 314 from the security card in the terminal. The security card signature is a value that uniquely identifies and validates security card 218 to prove to stored-value card 5 that the incoming debit command is a valid command from a real security card. This validation ensures that when the stored-value card is debited, that the financial totals in the security card are updated. Thus, the user of the stored-value card is guaranteed that a valid debit of the card has occurred. In step 616, the payment server sends the debit command along with the security card signature to the client terminal for the stored-value card to debit itself.

Thus, the amounts available are stored on the stored-value card and the security card validates the debit, and one would **not** be motivated to send a bank transaction request to a bank, as argued in the Office Action, by a desire to “ensure that the transaction is valid and the purchaser has sufficient funds to complete the transaction” (page 3, last line, to page 4, line 2). While the reference does state that traditional credit cards may be used in one embodiment, the reference

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fails to describe how such an embodiment would function with a security card because traditional credit cards do not store a monetary value that can be increased or debited. However, one could extrapolate that perhaps the security cards maintained a record of the card's balance because Davis et al., does mention updating financial totals in the security card. In any event, however, the reference already teaches a system that ensures both the transaction is valid and that purchaser has sufficient funds. Therefore, one would not be motivated to modify the references as suggested in the Office Action.

Further, if, in defiance of the explicit teachings of Davis, one were to remove the concentrator 68, the payment server 206 would continue to process the draw request in conjunction with an associated security card, which would validate the debit. Communications between the client terminal 204, the payment server 206, and the merchant server 208 would be unaffected by the removal of the concentrator 68. In order to modify the teachings of Davis to produce the device of claim 13, one would also have to disable the security card and stored-value card aspects of the system and make the transactions dependent upon advice received from the bank. Doing so would change the principle of operation taught by Davis, which is impermissible because a proposed modification of a prior art reference cannot change its principle of operation. See MPEP §2143.01(VI). Therefore, the proposed hypothetical combination of Davis and Kuo does not render obvious the inventions of claims 13-24 and withdrawal of this rejection is respectfully requested. Moreover, as stated above, even where a *prima facie* case is established, such case is rebuttable, and the proper inquiry involves consideration of inventions as a whole (*In re O'Farrell*, 853 F.2d 894, 903 (1988)). In determining the differences between the prior art and the claims, the question under 35 U.S.C. 103 is not whether the differences themselves would have been obvious, but whether the claimed invention as a whole would have been obvious. *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 218 USPQ 871 (Fed. Cir. 1983); *Schenck v. Nortron Corp.*,

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713 F.2d 782, 218 USPQ 698 (Fed. Cir. 1983). In *Diamond v. Diehr* (450 US 175, 209 USPQ 1) (U.S. 1981), the *Diehr* Court determined “[i]t is inappropriate to dissect the claims into old and new elements and then to ignore the presence of the old elements in the [35 U.S.C. § 101] analysis.” Claims have a synergistic effect, so that if a claim contains elements A, B, C, and D, it is not proper to attack each of A, B, C, and D in isolation as four separate elements. The USPTO and the courts must view the claim as a whole under 35 U.S.C. § 101. The Examiner’s statement (below) at pages 3-4 of the Office Action are thus not supportable:

“Since each individual element (or combination of elements or steps) and its function are shown in the prior art, albeit shown in separate references, the difference between the claimed subject matter and the prior art rest not on any individual element (or combination of elements or steps) or function but in the very combination itself- that is in the substitution of the teachings of Kuo for the teachings of Davies (batch transactions and acknowledgement). Thus, the simple substitution of one known element (or combination of elements or steps) or function for another producing a predictable results renders the claim obvious.”

In the present Office Action, the Examiner’s analysis and treatment has been too superficial, because the Examiner has arbitrarily parsed a plurality of elements of each the respective asserted art, while ignoring each the inventions as a whole, as required under U.S. patent law.

Moreover, Applicants’ invention is more than a predictable use of prior art elements according to their established functions. Specifically, there is no teaching in the art, and including no predictable teaching in the art or knowledge in the art, that a VCT gateway could effectively be used, as presently claimed, for:

“processing the VCT transaction request by the VCT gateway to facilitate formation of a bank transaction request; sending the back transaction request from the VCT gateway to a bank;

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processing the bank transaction request, whereby advice is sent from the bank to the VCT gateway as to whether the transaction has been approved; and sending the advice from the VCT gateway to the merchant and the purchase.”

There is no predictability for such use of Applicants' VCT gateway, because the prior art, including that of Davis, teaches a “concentration point 68” that is a staging computer that communicates with any number of service payment terminals 50 to collect batches of transactions (column 4, lines 63-65, and column 13, lines 36-38). The concentration point then sends these transaction batches to a clearing and administration system for processing (column 13, lines 38-40). Once processed, batch acknowledgments, along with other system updates are sent to the terminals 50 via the concentration point (column 13, lines 40-42). The concentration point ensures a successful transfer of data between service payment terminals and the clearing and administration system, and prevents overloading of the clearing and administration system (column 5, lines 3-6).

Applicants, therefore, respectfully request withdrawal of the Examiner's obviousness rejection over Davis, Kuo, and Mertens.

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In conclusion

Applicants contend that all claims are allowable. The Examiner is encouraged to phone Applicants' attorney, Barry L. Davison, to resolve any outstanding issues and expedite allowance of this application.

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